CONTRANS CORP.

Annual Report 1999

The Next Generation Carrier

Contrans Corp. is a publicly traded holding company listed on the Toronto Stock Exchange. Through its operating subsidiaries, Laidlaw Carriers Inc., Brookville Carriers Inc., Christie Transport Limited and Fillion Transport Inc., it is one of the largest Canadian organizations in the truckload segment of the transportation industry. Contrans' operations are carried on throughout North America.

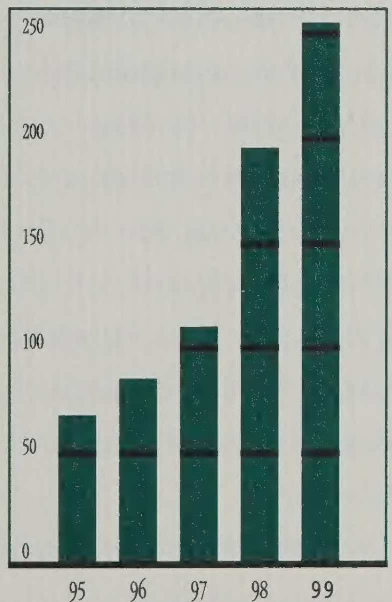
Financial Highlights

Year Ended August 31 (000's omitted except per share amounts)

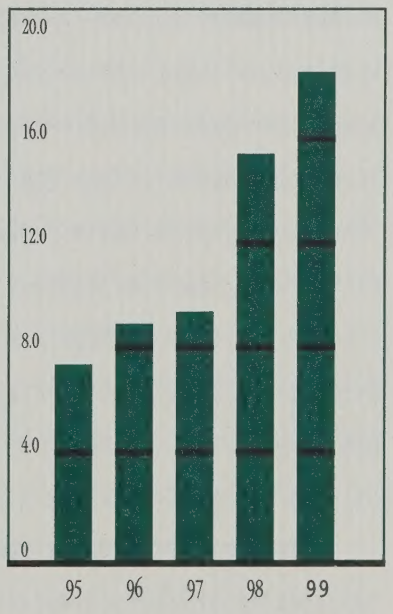
	1999	1998	1997	1996	1995
Revenue	**$258,062**	$198,289	$113,067	$99,065	$82,689
Income from Operations	**18,630**	15,539	9,535	9,087	7,527
Net Income	**8,732**	8,217	5,802	4,856	4,015
Earnings Per Share (Basic)	**1.68**	1.81	1.41	1.14	1.02

Note: Previously reported financial highlights have been restated to reflect the consolidation of shares on a one-for-five basis on January 31, 1995 and to report interline revenue on a gross basis.

Revenue
($ millions)



Income from Operations
($ millions)



Report from the Chairman and President

Contrans Corp. ended its fiscal year 1999 with $258 million in revenue and net income of $8.7 million, both new records for our Company. These achievements were the result of our employees meeting many challenges with resourcefulness and enthusiasm, qualities that will serve them well as the Company sets out to improve upon its best year ever.

The biggest challenge we faced at the beginning of the year was improving the financial performance of the acquisitions we made late in fiscal 1998. The first goal was to put a stop to the start up losses. The second goal was to start achieving satisfactory profit levels in these operations. Although operating losses were incurred over the first two quarters, these acquisitions contributed positively in the fourth quarter to Contrans' bottom line. These results were encouraging news as we progress toward our second goal.

This experience has given us an opportunity to reflect upon our acquisition strategy. In recent years, we have acquired, for close to book values, under-performing companies. While we feel that these investments have added to the long-term value of our Company, they have required substantial management resources to address many operational issues. An alternative is to acquire, with a purchase price based upon a reasonable earnings multiple, a well-managed, self-sufficient operation. However, in today's booming economy, very few of these types of targets are available. Those that are, are relatively expensive. There is also a risk of mistaking a company that is merely riding the tide of general prosperity for one that is truly well-managed. As consolidation within the trucking industry continues, we expect that opportunities to grow through acquisition will be plentiful. Our acquisition strategy will continue to be based upon aggressive pursuit of opportunities that will add to the long-term value of our Company.

Opportunities to grow internally are also increasing. Many shippers are reducing the number of their core carriers in an effort to make their traffic departments more efficient. At Contrans, internal growth is relatively inexpensive, requiring little more investment than the cost of rolling stock. Furthermore, unlike acquiring a turnaround situation, it does not require any changes in management philosophy or processes to identify and rationalize

redundant assets and overheads. Internal growth is, however, a slower process that does not attract the level of attention that fuels and gratifies speculative interests. An industry-wide shortage of qualified owner-operators and drivers, moreover, has been a practical impediment to this mode of growth.

Three years ago, we embarked on a program of upgrading our terminal facilities. As at the end of 1999, all of the Company's owned terminal locations have either been built or fully renovated. We believe that by providing first-rate facilities, including such amenities as access to wash bays, clean shower facilities and driver lounges, our operations will be more attractive to both prospective and current owner-operators and drivers. Even when their services are not in short supply, these professionals are the Company's most valuable assets.

Recently rising fuel prices have had an adverse effect on our operations and the profitability of our owner-operators. We have been able to mitigate these effects by applying fuel surcharges to our customers and passing them along to our owner-operators.

As for the coming year, we are very optimistic about our prospects. Improving the financial performance of our recently acquired operations will continue to be the prime focal point of management since it represents the greatest opportunity to grow our bottom line and provide long-term value to our shareholders. If forecasts for continued economic expansion are realized, we believe that we will continue to make good progress toward improved profit levels at these locations. Finally, management will remain vigilant for growth opportunities, whether by acquisition or through internal means, as we recognize that growth is fundamental to adding shareholder value.

Respectfully submitted,

Stan G. Dunford
Chairman of the Board and President
October 20, 1999

Management's Discussion and Analysis

Year Ended August 31 (000's omitted)	1999		1998	
Revenue	**$258,062**	**100.0%**	$198,289	100.0%
Operating expenses	**206,334**	**80.0**	157,868	79.6
Selling, general and administration expenses	**25,227**	**9.8**	19,886	10.0
Depreciation and amortization	**7,871**	**3.0**	4,996	2.5
Income From Operations	**18,630**	**7.2**	15,539	7.9
Other Income	**—**	**0.0**	136	0.1
Interest – Long-term	**1,746**	**0.7**	663	0.3
– Short-term	**650**	**0.3**	98	0.0
Income Before Income Taxes	**16,234**	**6.2**	14,914	7.5
Income Taxes	**7,502**	**2.9**	6,697	3.4
Net Income	**$ 8,732**	**3.3%**	$ 8,217	4.1%

Results from Operations

Total revenue for the year ended August 31, 1999 was $258 million, an increase of nearly $60 million (30%) over 1998. While recent acquisitions contributed about $37 million of additional revenue compared to 1998, internal growth amounted to approximately $23 million (13%). This internal growth was derived from attracting new customers, increased volumes from existing customers, improved equipment utilization and improved backhaul freight quality. Income from operations increased in 1999 to $18.6 million from $15.5 million in 1998 (20%), on the strength of the internal growth noted above. Income from operations as a percentage of revenue, however, fell from 7.9% in 1998 to 7.2% in 1999. This decline is primarily attributable to operations acquired since late 1998 incurring losses in the first half of 1999. These losses were only partially offset by modest contributions in the last half of the year thereby diluting our earnings on a percentage basis. Management made numerous operational changes over the course of the year that improved the financial performance of these newly acquired operations. Ongoing efforts are being closely monitored as management strives to make further improvements at these locations.

Interest expenses were higher in 1999 than in 1998. Average debt levels in the current year were significantly higher as a result of increased fixed asset acquisitions.

In the prior year, proceeds from the equity issue at the beginning of the period reduced average debt levels.

Liquidity and Capital Resources

Cash flow from operating activities before changes in working capital approximated $17.6 million in 1999 compared to $13.2 million in 1998. Higher net income and non-cash charges for depreciation and amortization were the primary reasons for the increase. Accounts receivable were higher at the end of 1999 than at the end of 1998, primarily because of higher fourth quarter revenues. The accounts payable and accrued liabilities balance was lower due to the timing of payments for capital expenditures made late in the year.

The Company's combined total of long-term debt and operating loans rose to $39.8 million as at August 31, 1999 from $21.9 million as at August 31, 1998. During the year, the Company spent $26.1 million acquiring capital assets including:

- $9.1 million to replace leased trailers
- $9.2 million for tractors and trailers to service revenue growth and to replace older rolling stock
- $7.8 million on real estate and renovating various facilities.

As at August 31, 1999 Contrans Corp. had unutilized long-term debt facilities of $12.9 million and had $11.9 million available in its bank operating loans. The Company was in compliance with covenants contained in its banking agreement as at August 31, 1999.

Business Risks

The Company is affected by fluctuating levels of economic activity. By offering several modes of truckload transportation services throughout eastern Canada and the U.S., Contrans has a large, diverse base of customers. The Company's financial success is therefore not dependent on a single customer, industry or region. Although the Company has large customers whose freight volumes have rapidly expanded during

the recent boom in the economy, several of the Company's largest customers are in industries that are not typically cyclical.

The relative strength or weakness of the Canadian dollar against the U.S. dollar affects both the direction and magnitude of the flow of goods between Canada and the U.S., which in turn affect the demand for freight services. Foreign exchange affects the Company's ability to compete against U.S. carriers for the truckload shipments of these goods. Finally, the Company's U.S. dollar billings exceed its U.S. dollar costs. To absorb some of the impact that currency fluctuations have on this exposure, management financed a portion of its capital expenditures made during the year with U.S. dollar denominated debt.

Contrans is subject to lawsuits from accidents and other insurable risks. The Company maintains both prudent levels of insurance coverage and high safety standards to minimize these exposures. Furthermore, the Company contracts only with insurers licensed to underwrite in Canada. The Canadian insurance industry is highly regulated with stringent capital and liquidity requirements.

A shortage of qualified, safety-conscious drivers and owner-operators continues to challenge the trucking industry. Although the Company's recent investments in new, modern facilities and equipment make it a more attractive employer, retaining quality people is a daily challenge for the Company's managers. Part of the Company's philosophy of operating on a highly decentralized basis is to ensure that management remains sensitive to the needs of drivers and owner-operators. Management believes that decentralization is conducive to maintaining a smaller company environment, which ultimately enhances owner-operator and employee retention. In the longer term, this approach contributes directly to healthy profit margins.

Debt financing is practically unavoidable in a capital-intensive industry such as trucking. Changes in market rates of interest therefore have an impact on the Company. Management focuses on maintaining relatively low levels of long-term debt and has a conservative mix of fixed and floating rate debt instruments to reduce the risk from fluctuating interest rates.

Year 2000 (Y2K) Compliance

The Company relies on its computer systems to record and track customer orders, to record the location and movement of rolling stock, to bill its customers, to administer its payroll and to produce financial information. The Company has replaced all mission critical computer systems, having upgraded to Y2K-certified software and hardware. Management has tested these systems and believes that they will continue to function normally when the new millennium arrives.

The Company is also at risk from the Y2K readiness of third parties. Key suppliers and customers have been contacted to assess our vulnerability to their Y2K exposure. To date, we have not received any indication that any disruption of normal operations is likely to occur. Progress updates continue to be requested.

Management has had a policy of keeping its information systems up to date while ensuring that the Company receives the best possible value for its investment in information technology. The Y2K issue has diverted some resources from other IT projects and the Company has hired outside contractors to address certain issues. However, the expenditures made on software and hardware upgrades, which happened to be Y2K-certified, would have otherwise been incurred as a matter of policy. The cost to achieve Y2K compliance has accordingly been relatively immaterial and has been expensed as incurred.

Outlook

The Company had another record year in 1999. The turnaround that continued at Brookville Carriers during 1999 made a significant contribution to the Company's success. Our more recent acquisitions have started to contribute positively and offer upside to the Company's earnings potential. Finally, many indicators point to continued expansion of the North American economy, which in turn bodes well for the Company's future.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Contrans Corp. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors.

Management has prepared the financial statements in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with that in the financial statements.

Management maintains systems of internal controls designed to provide reasonable assurance that the financial information is accurate and complete and that the Company's assets are adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board appoints an Audit Committee, which is comprised of outside directors. The Committee meets quarterly with management and regularly with the Company's external auditors, PricewaterhouseCoopers LLP, to discuss internal controls, auditing matters and financial reporting issues. PricewaterhouseCoopers LLP has full and free access to the Audit Committee. The Committee reports its findings to the Board who approve the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the auditors.

Stan G. Dunford
Chairman and President

October 8, 1999

Auditors' Report to the Shareholders

To the Shareholders of Contrans Corp.

We have audited the consolidated balance sheets of Contrans Corp. as at August 31, 1999 and 1998 and the consolidated statements of operations, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 1999 and 1998 and the results of its operations and cash flow for the years then ended in accordance with generally accepted accounting principles.

Hamilton, Canada
October 8, 1999

PricewaterhouseCoopers LLP
Chartered Accountants

Consolidated Statements of Operations

Year Ended August 31 (000's omitted except per share amounts)

	1999	1998
Revenue	**$258,062**	$198,289
Operating expenses	**206,334**	157,868
Selling, general and administration expenses	**25,227**	19,886
Depreciation and amortization	**7,871**	4,996
Income From Operations	**18,630**	15,539
Other income	**—**	136
Interest – Long-term	**1,746**	663
– Short-term	**650**	98
Income Before Income Taxes	**16,234**	14,914
Income Taxes (Note 7)	**7,502**	6,697
Net Income	**$ 8,732**	$ 8,217
Earnings Per Share		
Basic	**$ 1.68**	$ 1.81
Fully diluted	**$ 1.62**	$ 1.75

Consolidated Statements of Retained Earnings

Year Ended August 31 (000's omitted)

	1999	1998
Retained Earnings – Beginning of Year	**$ 17,474**	$ 12,112
Net income	**8,732**	8,217
Premium paid on purchase of the Company's common shares (Note 6)	**(3,844)**	(2,855)
Retained Earnings – End of Year	**$ 22,362**	$ 17,474

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

August 31 (000's omitted)	1999	1998
Assets		
Current Assets		
Cash	**$ 163**	$ 207
Accounts receivable – Trade	**34,089**	31,208
Accounts receivable – Other	**2,336**	2,825
Inventories	**953**	983
Prepaid expenses	**2,533**	4,020
	40,074	39,243
Fixed Assets (Note 3)	**67,637**	51,801
Goodwill	**7,368**	8,278
	$115,079	$99,322
Liabilities		
Current Liabilities		
Operating loan (Note 4)	**$ 13,134**	$ 3,887
Accounts payable and accrued liabilities	**19,734**	24,797
Income taxes payable	**699**	2,826
Current portion of long-term debt (Note 4)	**7,017**	5,586
	40,584	37,096
Long-Term Debt (Note 4)	**19,618**	12,455
Future Income Taxes (Note 1)	**7,009**	5,726
	67,211	55,277
Contingencies (Note 5)		
Shareholders' Equity		
Capital Stock (Note 6)	**25,506**	26,571
Retained Earnings	**22,362**	17,474
	47,868	44,045
	$115,079	$99,322

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board

Stan G. Dunford, Director

Archie M. Leach, C.A., Director

Consolidated Statements of Cash Flow

Year Ended August 31 (000's omitted)

	1999	1998
Cash Flows From Operating Activities		
Net income	$ 8,732	$ 8,217
Items not affecting cash:		
Depreciation and amortization	7,871	4,996
Future income taxes	1,283	645
Gain on sale of fixed assets	(249)	(700)
	17,637	13,158
Changes in non-cash working capital		
Increase in trade and other receivables	(2,392)	(2,573)
Decrease in inventories	30	308
Decrease (increase) in prepaid expenses	1,487	(2,360)
Decrease in trade payables and accruals	(5,063)	(1,976)
(Decrease) increase in current taxes payable	(2,127)	1,384
Cash Flows From Operating Activities	9,572	7,941
Cash Flows From Investing Activities		
Proceeds from sale of fixed assets	3,511	4,253
Purchase of fixed assets	(26,059)	(14,671)
Collection of note receivable	—	1,000
Expended on acquisitions (Note 2)	—	(6,697)
Net Cash Used in Investing Activities	(22,548)	(16,115)
Cash Flows From Financing Activities		
Proceeds from operating line of credit	9,247	(5,494)
Proceeds from long-term debt	17,884	1,042
Repayment of long-term debt	(9,290)	(3,950)
Repurchase of common shares (Note 6)	(5,657)	(3,576)
Issue of common shares (Note 6)	748	20,146
Net Cash Provided From Financing Activities	12,932	8,168
Decrease in Cash	(44)	(6)
Cash on Hand – Beginning of Year	207	213
Cash on Hand – End of Year	$ 163	$ 207
Cash Paid in Respect of:		
Interest	$ 2,485	$ 667
Income tax obligations	8,346	4,670

Note: The statement of cash flow for the year ended August 31, 1998 has been restated to conform with the new recommendation issued by the Canadian Institute of Chartered Accountants, Cash Flow Statements.

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

(a) Principles of consolidation

The purchase method of accounting for business combinations has been used and the accounts of all subsidiaries have been consolidated with those of the parent company.

(b) Inventories

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

(c) Fixed assets and depreciation

Fixed assets are valued at acquisition cost less accumulated depreciation. Depreciation is provided over the estimated service lives of the assets, as follows:

Land Improvements and Buildings –
Straight line over 15 to 40 years
Rolling Stock – Tractors – 25% declining balance
Trailers – Straight line over 10 to 15 years
Service Vehicles and Other Equipment –
20% to 30% declining balance

Management periodically reviews the estimated service lives of these assets and adjusts depreciation accordingly.

(d) Goodwill

Goodwill is amortized on a straight-line basis over ten years. Accumulated amortization as at August 31, 1999 was $2,152,000 (1998 – $1,242,000). Management periodically reviews the value assigned to goodwill. Based upon its estimate of fair market value, management has determined that goodwill has not been impaired in either fiscal 1999 or in fiscal 1998.

(e) Revenue recognition

The Company recognizes revenue when freight services are provided.

(f) Income taxes

During 1998, the Company adopted the new accounting recommendations of section 3465 of the Handbook of the Canadian Institute of Chartered Accountants, entitled Income Taxes. The recommendations follow the liability method of measuring income taxes based on temporary differences. Future income taxes are provided for all temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax expense represents the change during the period in the future income tax assets and future income tax liabilities. The change in accounting policy did not result in a material adjustment to future income taxes or the provision for future income taxes.

(g) Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed on a regular basis, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(h) Company operations

The Company operates primarily in one business segment, the truckload transportation industry, based in Canada.

2. Acquisitions

On May 8, 1998, the Company acquired Christie Transport Limited. On June 17, 1998, the Company acquired Fillion Transport Inc. and certain related companies. On July 22, 1998 the Company acquired Transport Transol Inc. and its parent company.

The aggregate fair value of assets acquired was $22,843,000 including goodwill of $3,012,000. Liabilities of $15,296,000 were assumed. Consideration consisted of $6,697,000 in cash and $850,000 in common shares. These acquisitions have been accounted for by the purchase method and results of operations have been included from the dates of acquisition.

3. Fixed Assets

(000's omitted)

	August 31, 1999		
	Cost	Accumulated Depreciation	Net Book Value
Land and improvements	**$ 6,191**	**$ 552**	**$ 5,639**
Buildings	**15,571**	**2,464**	**13,107**
Rolling stock and other equipment	**63,450**	**14,559**	**48,891**
	$85,212	**$17,575**	**$67,637**

	August 31, 1998		
	Cost	Accumulated Depreciation	Net Book Value
Land and improvements	$ 5,580	$ 407	$ 5,173
Buildings	10,106	1,890	8,216
Rolling stock and other equipment	54,473	16,061	38,412
	$70,159	$18,358	$51,801

4. Long-Term Debt

(000's omitted)

August 31,	1999	1998
Term bank loans with interest fixed at rates between 6.5% and 7.61% (7.23% and 7.61% at August 31, 1998)	**$10,079**	$ 6,884
Notes payable with interest floating at rates between 6.5% and 7.25% (6.6% and 8.5% at August 31, 1998)	**11,270**	2,698
Equipment finance contracts with fixed and floating interest rates ranging from 6.75% to 11.89% (6.85% to 12.9% at August 31, 1998)	**3,124**	5,762
Note payable without interest	**—**	750
Other unsecured loans, with interest at varying rates and due dates	**2,162**	1,947
	26,635	18,041
Less: Current portion	**(7,017)**	(5,586)
	$19,618	$12,455

The term bank loans are repayable in equal monthly payments and mature at dates between January 2001 and February 2004. The Company has pledged by way of a floating charge, all of the Company's assets as security for the operating loan and term bank loans.

Notes payable are repayable in equal monthly payments and mature at dates between July 2000 and July 2004. Variable interest is calculated at rates between prime plus 1/4% and prime plus 1%, and at the bankers acceptance rate plus 1.6%. Liens on rolling stock with a net book value of approximately $18.9 million have been provided as security.

The equipment finance contracts are repayable monthly and mature at dates between September 1999 and January 2003. Liens on rolling stock with a net book value of approximately $3.7 million have been provided as security.

The aggregate amounts of minimum payments required on long-term debt in each of the next five years to meet retirement provisions are as follows (000's omitted):

Year ending August 31,	2000	$ 7,017
	2001	6,586
	2002	4,997
	2003	3,956
	2004	1,917
	Thereafter	2,162
		$26,635

5. Contingencies

(a) Outstanding Litigation

In September 1994, an action was filed by certain former employees against the Company's wholly-owned subsidiary, Laidlaw Carriers Inc. ("Laidlaw") and an Ontario loan and trust company. The litigation involves the valuation of the employees' benefit plans in 1988. The Company has recorded in the accounts an amount sufficient to resolve this action.

In September 1994, another action was filed against Laidlaw and the same trust company by other former employees. The characteristics of this action are significantly different from the action discussed above. Management is unable to determine the outcome of this lawsuit at this time. A provision has been made in the accounts for legal costs in connection with this lawsuit.

(b) Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

6. Capital Stock

Authorized

Unlimited numbers of Class A Subordinate Voting Shares ("Class A Shares") and Class B Multiple Voting Shares ("Class B Shares") are authorized. The holder of each Class B Share is entitled to ten votes. No dividends may be paid on the Class B Shares unless an equal dividend per share is paid on the Class A Shares.

Issued and Fully Paid

(000's omitted)

August 31,	**1999**		1998	
	Shares	**Amount**	Shares	Amount
Class A Shares	**4,668**	**$24,208**	4,833	$25,273
Class B Shares	**367**	**1,298**	367	1,298
		$25,506		$26,571

Stock Options

In September 1994, under a Stock Option Plan for senior employees, 259,780 stock options were granted at an exercise price of $4.05 per share. During 1998, 75,000 options were exercised and during 1999, all of the remaining 184,780 options under this plan were exercised, and the Plan was cancelled.

In December 1998, a new Stock Option Plan was approved by shareholders of the Company with 476,000 Class A Shares reserved for issuance. Options to purchase 344,780 shares have been granted at an exercise price of $12.41 per share, exercisable up to October 20, 2008. No options have been exercised under this new Stock Option Plan.

Issue of Class A Subordinate Voting Shares

On December 18, 1997, the Company issued 1,214,300 special warrants at a price of $17.50 per special warrant, for gross proceeds of $21,250,250. Each special warrant entitled the holder to receive one Class A Subordinate Voting Share without further payment. During 1998, the special warrants were exchanged for 1,214,300 shares. Net proceeds, after expenses and future income taxes, amounted to $20,452,000.

Acquisition of Shares

Pursuant to a Normal Course Issuer Bid, the Company purchased 350,000 of its own Class A Subordinate Voting Shares during 1999 (189,000 during fiscal 1998) for total consideration of $5,657,000 ($3,576,000 in fiscal 1998). The excess of the purchase price over the book value of the shares was charged to retained earnings. The shares were immediately cancelled.

Other Changes

During 1998, the Company issued 40,056 shares valued at $850,000 as partial payment for a business acquisition described in Note 2.

7. Income Taxes

The following table reconciles the Company's effective income tax rate with the basic income tax rate:

Year Ended August 31,	**1999**	1998
	%	%
Combined basic Canadian federal and provincial income tax rate	**44.6**	44.1
Non-deductible items	**1.6**	.8
Effective tax rate	**46.2**	44.9

8. Lease Commitments

Payments under non-cancellable operating leases for premises and equipment are as follows (000's omitted):

Year ending August 31, 2000	$ 7,045
2001	6,384
2002	3,534
2003	340
2004	—
	$17,303

9. Financial Instruments (000's omitted)

The carrying values of accounts receivable – trade, accounts receivable – other, and accounts payable and accrued liabilities approximate their fair value. The fair value of long-term debt is determined at the net present value of contractual future payments of principal discounted at current market rates of interest for similar debt instruments with terms stretching over the remaining lives of the outstanding loans. Floating rate debt is assumed to be carried at its fair value.

August 31,	1999		1998	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Long-term debt	**$26,635**	**$26,430**	$18,041	$18,030

10. Related Party Transactions

The Company had business transactions with companies controlled by the Chairman of the Company as follows (000's omitted):

Year Ended August 31,	1999	1998
Transactions during the year:		
Equipment purchases	**$ 308**	$1,130
Equipment sales	**—**	135
Rental income	**140**	110
Repairs and maintenance	**2,741**	2,226
Other	**36**	2
Balances at end of year:		
Accounts payable	**290**	119
Accounts receivable	**17**	25

These transactions were carried out in the normal course of business and at fair market value.

11. Earnings Per Share

Earnings per share are calculated using the weighted average number of shares. The weighted average number of shares for 1999 was 5,198,000 (1998 – 4,531,000 shares).

Fully diluted earnings per share reflects the dilutive effect of the exercise of stock options as disclosed in Note 6. The number of shares for the fully diluted earnings per share calculation was 5,457,000 shares (1998 – 4,716,000). Interest on the funds which would have been received had the options been exercised amounted to $122,000 (1998 – $28,000) on an after-tax basis, calculated at bank prime plus 1/2 percent.

12. Quarterly Financial Information

(Unaudited) (000's omitted except per share amounts)	Revenue	Income From Operations	Net Income	Earnings Per Share
Year ended August 31, 1999				
First quarter	**$63,543**	**$4,452**	**$2,229**	**$0.42**
Second quarter	**59,837**	**3,208**	**1,570**	**0.30**
Third quarter	**67,385**	**4,862**	**2,274**	**0.44**
Fourth quarter	**67,297**	**6,108**	**2,659**	**0.53**
Year ended August 31, 1998				
First quarter	$47,819	$4,156	$2,186	$0.54
Second quarter	41,853	2,858	1,547	0.39
Third quarter	48,410	3,688	2,062	0.43
Fourth quarter	60,207	4,837	2,422	0.46

Corporate Information

Directors

Stan G. Dunford
President
Contrans Corp.

Robert B. Burgess, Q.C.
Barrister and Solicitor

Paul C. Canney
President
Filter Pure Limited

Archie M. Leach
President and C.E.O.
Carroll Health Care Inc.

Gregory W. Rumble
Executive Vice-President
Contrans Corp.

Officers

Stan G. Dunford
Chairman of the Board and President

Gregory W. Rumble
Executive Vice-President

D. Jamieson Miller
Secretary-Treasurer

James S. Clark
Vice-President Finance

Daniel J. Matthews
Vice-President Flatbed Operations

Principal Office

1179 Ridgeway Road
P.O. Box 1210
Woodstock, Ontario
N4S 8P6
(519) 421-4600

Transfer Agent and Registrar

Montreal Trust
151 Front Street West
8th Floor
Toronto, Ontario
M5J 2N1

Annual Meeting

The annual meeting of Shareholders will be held at the Sheraton Centre Toronto, 123 Queen Street West, Toronto, Ontario at 4:30 p.m. on Thursday, December 16, 1999.

Annual Information Form

A copy of the Company's Annual Information Form for Fiscal 1999 may be obtained without charge upon written request to the Company.

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